

Audit Report No. 17 2008-2009

Administration of Job Network Outcome Payments

Background

- 6.1 In May 1998, the Government replaced the Commonwealth Employment Service with the Job Network Program, which is now managed by the Department of Education, Employment and Workplace Relations (DEEWR).
- 6.2 Under the Job Network Program, DEEWR does not provide employment services directly to job seekers. Rather, it purchases the provision of services to job seekers from a national network of government and non-government organisations. These are:
- Centrelink, the Australian Government organisation responsible for administering social security entitlements. DEEWR pays Centrelink for services it delivers to job seekers under a Business Partnership Agreement. Centrelink provides services to job seekers, including assessing job seekers' relative labour market disadvantage and referring job seekers to Job Network Members (JNMs); and
 - JNMs, which comprise not-for-profit and commercial organisations that have been contracted by DEEWR to help eligible job seekers gain employment. There are currently some 100 JNMs operating at approximately 1,150 locations throughout Australia. Under

Employment Services Contracts (ESC), DEEWR paid JNMs \$1,030 million in 2007–08 to deliver Job Network services.

The Active Participation Model

- 6.3 The Job Network Program is in its eleventh year of operation and is currently based on the Employment Services Contract 2006–2009 (ESC 2006–2009). The ESC 2006–2009 gives effect to the Active Participation Model (APM) which was designed to simplify access to services for job seekers and to link services provided by Centrelink, JNMs and related service providers.
- 6.4 Under the APM, job seekers remain continuously engaged in employment assistance until they find suitable employment or undertake a qualifying education course. After three months, most job seekers who remain unemployed receive specialised one-on-one assistance from a JNM. This assistance, referred to as Intensive Support, starts with job search training. Job seekers who remain in a position of being unable to find work after six months of unemployment move into a period of mutual obligation, involving participation in *Work for the Dole* or other programs, and then move onto customised assistance involving a more intensive form of personalised assistance to disadvantaged job seekers.
- 6.5 The services provided by JNMs and the mutual obligation activities form a continuum of service which increases with intensity the longer a job seeker remains unemployed.

Job Network Program payments

- 6.6 Under Job Network, a JNM can receive four major types of payment or reimbursement:
- job placements – fees paid to a JNM when a job seeker secures ongoing sustainable employment through a job placement organisation such as a JNM;
 - jobseeker account – reimbursement of costs associated with assisting a registered job seeker to obtain sustainable employment;
 - service fees – payments made to JNMs for specific services delivered to individual job seekers including: commencement of Intensive Support job search training (ISjst); commencement of both the first and second periods of Intensive Support customised assistance (ISca); and a set fee called the Quarterly Service Fee; and

- outcome payments – payment made when a job seeker achieves an employment or education outcome.

Outcome Payments

- 6.7 DEEWR pays JNMs an outcome payment when a job seeker allocated to them achieves an employment or education outcome that meets the contractual requirements as detailed in the department's Employment Services Contract (ESC) 2006–2009.
- 6.8 Where a JNM actively matches a job seeker to a vacancy, DEEWR characterises this as a positive outcome. After the job seeker has remained in continuous employment or a qualifying education course for a set period and satisfied their participation requirements or reduced their reliance on income support, DEEWR pays the JNM an outcome payment for the placement. An interim outcome payment is paid to the JNM after the job seeker has been in continuous employment for 13 weeks or has undertaken a qualifying education course for one semester. A final outcome payment is paid after 26 weeks continuous employment or two semesters of a qualifying education course.
- 6.9 Outcome payments form a large proportion of the expenditure made as part of the Job Network Program. In 2007–08, DEEWR paid approximately \$386 million to JNMs for outcome payments out of a total program expenditure of \$1,030 million.
- 6.10 The amount DEEWR pays an individual JNM for assisting a job seeker into employment or qualifying education course is determined by the length of time the job seeker has been unemployed and the job seeker's level of disadvantage.
- 6.11 DEEWR uses four different periods of unemployment when paying an outcome payment. The first commences after a job seeker has been unemployed for three months and has commenced receiving Intensive Support services. The four periods are: four months to 12 months; 13 months to 24 months; 25 months to 36 months; and registered for 37 months or longer.
- 6.12 The purpose of dividing the outcome payments into the different periods is to encourage and reward JNMs for achieving sustainable employment or education outcomes for the longer term unemployed and those job seekers considered to be Highly Disadvantaged, rather than focusing the majority of their efforts on the shorter term unemployed, who have a better chance of gaining employment.

The audit

Audit Objectives

- 6.13 The objective of the audit was to assess the effectiveness of DEEWR's administration of Job Network outcome payments. The ANAO examined DEEWR's arrangements to:
- specify Intensive Support outcome payments, the purpose of the payments and how JNMs can access/claim the payments;
 - provide assurance that outcome payments are made in accordance with contractual obligations, and that JNMs who are entitled to receive Intensive Support outcome payments do so; and
 - obtain adequate assurance that Intensive Support outcome payments are achieving their stated purpose.
- 6.14 The audit covered outcome payments associated with Intensive Support services delivered under the ESC 2006–2009 for eligible job seekers. The audit did not include outcome payments relating to Australian pensioners or payments relating to Community Development Employment Projects (CDEP) participants.

Audit Conclusions

- 6.15 The audit report made the following conclusion:

The Job Network is the principal labour market program administered by DEEWR. Outcome payments are made to JNMs when a registered job seeker obtains sustainable employment or completes an approved education course. In 2007–08, outcome payments represented 38 per cent of total payments to JNMs.

The Job Network is in its eleventh year of operation and DEEWR administers this mature program effectively. In doing so, the department has adopted a successful approach to specifying, paying and monitoring outcome payments.

DEEWR pays JNMs an outcome payment when a job seeker allocated to them achieves an employment or education outcome that meets the contractual requirements as detailed in the department's ESC 2006–2009. The outcomes that JNMs are contracted to provide to job seekers are appropriately specified in

ESC 2006–2009 and these requirements are translated into clear guidance material.

Overall, the controls used by DEEWR to administer outcome payments are effective. These controls are reflected in: the functionality of DEEWR's IT system, Employment Assistant 3000 (EA3000); data from Centrelink based on the information that job seekers provide in their fortnightly Application for Payment Form; JNMs certifying that they have the evidence to substantiate their outcome claims; and the department's contract monitoring activities to oversight contractual compliance by JNMs. These controls provide sufficient assurance that outcome payment amounts are made in accordance with contractual obligations and that actual outcome payments made to JNMs are based on a job seeker being placed in continuous employment for 13 or 26 weeks or undertaking a qualifying education course for one or two semesters.

An area that could be strengthened by DEEWR is the clarity of Job Network performance information provided to external stakeholders. A key feature in the management of the Job Network has been an increasing emphasis on paying for outcomes (placements) rather than paying for services (process). Internally, DEEWR monitors Job Network expenditure outcome payments and service fees separately. For external reports, including Portfolio Budget Statements and Annual Reports, DEEWR reports its annual aggregated expenditure on the Job Network. In this regard, DEEWR could strengthen its reporting of Job Network performance. This could be achieved through publishing sufficiently disaggregated and appropriately disclosed Job Network financial and performance information in the department's Portfolio Budget Statements and Annual Reports.¹

1 Australian National Audit Office (ANAO) Audit Report No. 17, 2008-09, pp. 15-16.

ANAO Recommendation

6.16 The ANAO made the following recommendation:

Table 1.1 ANAO Recommendations, Audit Report No. 17 2008-09

1.	<p>To improve external understanding of the efficiency and cost effectiveness of the Job Network, the ANAO recommends that DEEWR includes in its Annual Reports:</p> <ul style="list-style-type: none"> a) disaggregated financial data on Job Network expenditure including outcome payments and service fees; and b) a brief overview of the methodology used by the department to calculate cost per employment outcome. <p><i>DEEWR response: Agreed</i></p>
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The Committee's review

6.17 The Committee held a public hearing on Wednesday 18 March 2009, with the following witnesses:

- Australian National Audit Office (ANAO); and
- Department of Education, Employment, and Workplace Relations (DEEWR).

6.18 The Committee took evidence on the following issues:

- collection of job seeker information;
- disaggregation of financial data; and
- special claims processing.

Collection of job seeker information

6.19 The ANAO identified that JNMs were required to collect information from job seekers about the hours worked and pay received that the job seeker had already provided to Centrelink on SU19 forms. The JNMs are unable to compel job seekers to provide this information and have resorted to offering incentives to encourage cooperation.

6.20 DEEWR informed the Committee that DEEWR and Centrelink are exploring ways to ensure that information is collected only once and these changes will be implemented under the new Employment Services Contract to decrease the administrative burden on JNMs. These changes are due to be introduced with the new Employment Services Contract on 1 July 2009.

Disaggregation of financial data

6.21 The ANAO reported that DEEWR reported outcome payments and service fees as a single expenditure. This does not allow external stakeholders to identify the contributions that outcome payments and services made to the Job Network expenditure. The ANAO recommended that these figures be reported separately. A similar recommendation was made in the ANAO Audit Report No.6, 2005-06, *Implementation of Job Network Employment Service Contract 3*. The department, at the time the Department of Employment and Workplace Relations (DEWR), disagreed with the recommendation stating:

Job Network is a single programme and is reported as a single programme in accordance with government policy. DEWR will give consideration to additional explanatory information, where appropriate, as part of the normal process of reviewing the presentation of its Annual Report and other information publications.²

6.22 DEEWR's response to the recent ANAO Audit Report stated that they accept 'the recommendation on further opportunities to improve external understanding of the efficiency and cost effectiveness of the Job Network.'³ With a new employment service having been announced to commence 1 July 2009, a new Employment Services Contract will be implemented superseding the Job Network Outcome Payments. DEEWR's response to the Audit Report stated that the recommendation will be addressed in determining reporting arrangements for the new Job Services Contract. A previous Joint Committee on Public Accounts and Audit report recommended that 'DEEWR provide a breakdown of estimates and actual expenditure on service fees and outcome fees for the Job Network programme in its annual report.'⁴

6.23 DEEWR informed the Committee at the hearing that the Government is considering the ANAO's recommendation and that a final decision had not been made.

6.24 The Committee is still concerned that interested parties are unable to assess the success of DEEWR in meeting key objectives or determine the contributions outcome payments and service fees make to the Job

2 ANAO Audit Report No. 6, 2005-06, *Implementation of Job Network Employment Service Contract 3*, p. 69.

3 ANAO Audit Report No.17, 2008-09, *Administration of Job Network outcome payments*, p. 95.

4 Joint Committee of Public Accounts and Audit, *Report 412 - Audit reports reviewed during the 41st Parliament*, August 2008, p. 35.

Network expenditure. Also, any trends that reflect DEEWR's success in making the program outcome focused can not be determined according to the ANAO. Both the ANAO in its report and DEEWR in giving evidence to the Committee stated that DEEWR already has the systems to produce the requested information.

Recommendation 5

The Committee recommends that the Department of Education, Employment and Workplace Relations provide disaggregated financial data on the estimated and actual expenditure on outcome payments and service fees paid for the Job Network program in its annual reports.

Special claims processing

- 6.25 The Audit Report highlighted a special claims process used when JNMs are unable to use the normal auto-claim process to achieve an acceptable result. The special claims process involves the use of a system override module which turns off business controls. The claim is submitted by the JNM and then processed by a DEEWR contract manager. The majority of special claims concern outcome payments for non-activity tested job seekers such as apprentices. Special claims represent about 8 per cent of all outcome claims at present.
- 6.26 DEEWR assured the Committee that:
- ... in the new employment services that will start from 1 July, we have done additional work to reduce the number of instances in which there is a need for special arrangements or special claims process.⁵
- 6.27 DEEWR estimates that 75 per cent of the 8 per cent of claims that previously needed to be handled as special claims can now be handled online due to additional reconciliation processes in place. This increase in automation allows JNMs more time to service their job seekers.

5 Ms Caldwell, Department of Education, Employment and Workplace Relations (DEEWR). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Wednesday 18 March 2009, p. 16.

Conclusion

- 6.28 The Committee is pleased to see DEEWR addressing some of the issues identified in the Audit Report in preparing for the new Employment Services Contract. Changes that reduce the burden placed on JNMs and allow them more time to place job seekers in work supports the very purpose of this program.
- 6.29 The Committee is of the opinion that full implementation of its recommendation and the recommendation made in the Audit Report would provide external stakeholders with the ability to determine the contribution outcome payments and services fees had on the Job Network expenditure, and allow for trend analysis to determine DEEWR's success in making the program outcome focused.

Sharon Grierson MP

Committee Chair

